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Spain

Exporter Guide

Annual

2002

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Report Highlights:
Although there has been a deceleration in the Spanish economy, 2001 GDP growth was still 2.5 percent and 2002 GDP growth is estimated at 2.0 - 2.2 percent. GDP in 2003 is expected to grow by three percent, which, together with a lower inflation rate of three percent (3.5 percent in 2002) and a further increase in the number of tourists, will lead to a higher consumption and a continuous demand of new products.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Madrid [SP1], SP

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I Market Overview

Spanish political situation is stable, although the economy, as in most of the EU countries has slowed down. In 2001, the Spanish economy grew by 2.6 percent, earlier expected to be 2.9 percent. The deceleration in 2001 was partially due to the international situation and to a weakening of domestic demand. The Bank of Spain estimates the growth for 2002 at only two percent, 0.2 percent below Spanish government estimates, the lowest growth since 1993. The Spanish government expects a GDP growth rate of three percent in 2003, while the Bank of Spain estimates it to be at only 2.5 percent. In 2002, the inflation rate is estimated to reach 3.5 percent, and it is expected to drop to three percent in 2003. This year the public deficit was expected to be in balance, but independent analyst estimate that it will be 0.31 percent. The aim of the government is to reach a balanced budget by 2003, as required for Spain's participation in the EU's monetary union. Nevertheless, the fiscal and monetary adjustments made enabled Spain to be among the first group of EU countries accepted in the monetary union combined with increased consumer and investor confidence, and lower interest rates. The transition to the Euro, the new European Union currency has causes some economic fears among consumers and also a slight decrease in demand. Official unemployment is still very high in Spain, estimated at about 11.9 percent in the first half of 2002, but it is estimated to be as high as 12.4 by the end of the year, one of the highest within the EU. Many analysts dispute this figure, however, as reportedly much part-time and non-contract employment goes unreported. Per capita annual income during 2001, was estimated at about 16,147 Euros (15,233 Euros in 2000.) The latest figure for the first quarter of 2002 is 16,555 Euros.

Food Availability

The Spanish food processing industry is the fifth largest in the European Union. Domestically, it is the principal group, generating 20 percent of Spain's total industrial production. Total 2001 food production was valued at 56.2 billion Euros, an increase of two percent by value, but a decrease of almost two percent in volume. Spanish consumers spent 61.4 billion Euros on food, representing an increase of 1.9 percent from 2000. The difference between production and consumption can be explained by the fact that not all fresh fruits and vegetables undergo any industrial processing and imports and exports of processed foods are also to be taken into account. In 2001, total exports of processed foods were 8.52 billion Euros, while imports were 8.16 billion Euros. Total grocery sales in 2001, through food distribution chains or groups were 44.8 billion Euros, this is almost an eight percent increase from the previous year. About 27 percent of total food expenses took place through the HRI sector.

Spain is the second largest per capita consumer of seafood products in the world after Japan. Fish consumption during 2001 was about 44 kilos/per capita, while total consumption amounted to 1.79 million metric tons. There was an increase in consumption and smaller catches had to be offset by larger imports. While consumer preferences are largely determined by price, fresh fish is generally preferred over frozen products. Fresh products account for 53 percent of total seafood consumption; followed by frozen fish, at 34 percent, and canned and cured seafood products, at 13 percent. As catches decline in the future, prices for seafood are expected to rise and as a result, consumption is forecast to decline during 2003.

Spain's agricultural imports in 2001 totaled $17.6 billion, representing a slight increase in comparison with imports of $16.2 billion in 2000. Total agricultural exports amounted to about $18.3 billion, representing a one percent increase from 2000. After many years of a negative balance of trade, since 1997 total agricultural products exported were higher than those imported, in 2001 the balance of trade was again possitive for Spain by $658 million. Total exports of processed food products were $8.26 billion, while imports were $7.91 billion.

Demographics and Consumption

Spain's population is about 40.8 million people. Until 1999, the annual population growth was nearly zero, but this tendency has changed due to the immigrant population, although the average growth rate is still as low as 0.9 percent. By the year 2005, it is estimated that 20 percent of the population will be over 65 years old, and the normal family will be comprised of at most four people, with two members of the family working. Many households will be comprised of only one person. Purchasing power will be higher, and the time available to buy and prepare foods will be reduced. Consequently, consumption habits are also expected to change. Currently there is a clear tendency to higher consumption of prepared foods, diet products, low cholesterol, low fat, and higher fiber content. The so called "Mediterranean diet" plays, and will continue to play, an important role, being considered healthy due to the diversity of food products.

More congested metropolitan areas, and an increasing number of women in the work force have altered the traditional habit of daily trips to the market, while the traditional extended mid-afternoon lunch (the principal meal for most Spanish families) is becoming less common in the large urban areas. About 69 percent of the Spanish population lives in cities, while the balance live in rural areas. Another important factor is the one-person (13 percent) and two-person (22 percent) household, which tend to spend more on a per-capita basis for food purchases. Consumption patterns are also highly dependent on geographical area. For instance, the highest meat consumption occurs in Castilla Leon (Center), while the Canary Islands has the lowest meat consumption.

Virtually all of Spain's household have refrigerators, and use of microwave ovens has increased rapidly in the last decade, being present in 65 percent of homes. The availability of microwaves has further enhanced the demand for processed and ready-to-eat products.

- Profile of Spain

Population: 40.8 Million - Male: 48.9 - Female: 51.1%

Age	Percentage
0 - 24	27.7 %
25 - 49	39.0 %
50 - 64	16.2 %
65 - 74	9.5 %
75 +	7.6 %

Life expectancy:

	EU-15	Spain
- Men	74.6	75.3
- Women	80.9	82.2

Advantages and Challenges for U.S. Suppliers to the Spanish Market

Advantages	Challenges
There are some niche markets like organic products	High promotion costs to introduce new products
Good quality of U.S. products	Competition with similar food products produced in other EU countries with no import duties
Consumer demand for new products	High shipping costs from the United States
Increasing demand for processed foods	Need to promote the wholesomeness of U.S. products
Increase of imports of U.S.seafood and consumer-oriented foods	Reluctance to purchase products containing genetically modified ingredients
U.S. products have attractive packaging	U.S. consumer-oriented products have to comply with EU labeling and packaging
Modern food distribution system	Important to find an importer/distributor

II. Exporter Business Tips

Local Business Customs

As a consequence of the growth of the Spanish economy, distribution has become a key factor in supplying the consumer market. Most types of sales channels to consumers are present in this market, ranging from traditional distribution methods, in which wholesalers sell to traditional shops which sell to the public, to more sophisticated methods, characterized by an increased presence of large multinational supermarkets, retail-stores and central purchasing units.

Due to increasing concentration of the food retail sector, food distribution chains are more powerful, and are tougher when negotiating with manufacturers and suppliers. Cost financing terms and after-sales services are important when negotiating with the sector.

European exporters provide generous financing and extensive cooperative advertising and most member state governments support exporting efforts with promotional activities. Spanish procedures are the same as in other Western European countries, where price is an important factor.

The Spanish market is a series of regional markets, with Madrid and Barcelona as the main markets, and where the majority of agents, distributors, importers and government-controlled entities are located. The key for a U.S. exporter would be to appoint an agent or distributor or to establish a subsidiary. The representative in Spain would be more aware of the different consumption attitudes and preference in each of the 17 different Spanish autonomous regions.

General Consumer Tastes and Preferences

In general Spanish consumers have conservative tastes based on the cuisine of each geographical area, which is influenced by the weather. The traditional Spanish diet is the so-called "Mediterranean Diet" which is based on seafood, salads, vegetables, fruits, olive oil and wine. Nevertheless, due to the change of habits, consumption of prepared and ready to eat products are increasing every year. Although it might seem a contradiction, consumers are also demanding more natural products, and consumption of organic food products is growing, but the percentage is still as low as three percent.

Low calorie, sugarless, low cholesterol, low sodium products are more popular and demand is increasing.

In Spain total per capita food expenditure at home during 2001 was 1,106 Euros,) an 8.3 percent increase from the previous year.

Increasing travel by the Spanish to other countries together with an always growing flow of tourists, is increasing the demand for new products and the interest for ethnic foods and restaurants.

Spanish consumers are very sensitive about food safety issues, any food problem is widely publicized, and measures are taken immediately.

Food Standards and Regulations

In reference to above subject, see FAIRS Report #SP2026. All food products imported into Spain must comply with EU regulations.

General Import and Inspection Procedures

See FAIRS Report #SP2026, Section IX.- Import Procedure.

INCOTERMS 2000

When making an international transaction it is important that buyer and seller define their respective responsibilities, thus eliminating any possibility of misunderstanding and possible dispute. Each term indicates where the responsibilities of the seller end and where those of the buyer begin. In 1936, the International Chamber of Commerce (ICC) published the first set of rules and have been updated several times, to adapt them to the more current commercial practices. "Incoterms 2000" has replaced "Incoterms 1990", and has been applied since January 1, 2000.

There are minor but important differences from the previous Incoterms. The main changes have taken place in the customs clearance and payment of duty obligations under FAS and DEQ, and in the loading and unloading obligations under FCA.

Departure
EXW - Ex Works (... named place)

Main carriage unpaid
FCA - Free Carrier (...named place)
FAS - Free Alongside Ship (...named place)
FOB - Free on Board (...named port of shipment)

Main carriage paid
CFR - Cost and Freight (... named port of destination)
CIF - Cost, Insurance and Freight (... named port of destination)
CPT - Carriage Paid To... (... named place of destination)
CIP - Carriage & Insurance Paid To... (... named place of destination)

Arrival
DAF - Delivered at Frontier (... named place)
DES - Delivered ex Ship (... named port of destination)
DEQ - Delivered Ex Quay (... named port of destination)
DDU - Delivered Duty Unpaid (... named place of destination)
DDP - Delivered Duty Paid (... named place of destination)

If a dispute arises the case can be taken to an arbitration center.

III. Market Structure and Trends

Food Processing

Total 2001 food production was valued at 56.2 billion Euros, an increase of two percent in value, but a decrease of almost two percent in volume. Food production represents 20 percent of total industrial production.

Total food expenditures in 2001 were 61.44 billion Euros, this is an increase of 8.3 percent from the previous year. The highest percentage of purchases were for meat products (22%), followed by seafood products (14%), bread (6.5%), milk and dairy products (10%), fresh fruits (6%), vegetables (5%).

In-home consumption expenses in 2001 were 44.74 billion Euros, represented 72.8 percent of total Spanish food purchases, while 27.2 percent was spent in hotels/restaurants and institutional facilities.

U.S. direct exports of consumer-oriented products to Spain were $134.4 million in 2001. With sales of $112 million treenuts was the main product. Exports of seafood products reached $70 million, an increase of ten percent in comparison with the previous year; a moderate increase is expected for 2002.

Food Retail

The food retailing and distribution system in Spain is dominated by an increasing number of supermarkets, hypermarkets and self-service stores. Expansion of hypermarkets has slowed to a fraction of the pace of growth during the previous decade, while supermarkets and convenience store numbers continue to grow. Meanwhile, the traditional small neighborhood outlets are disappearing from the food distribution system. The majority of hypermarkets have been opened by French operators in conjunction with Spanish partners or through subsidiaries.

According to Ministry of Agriculture statistics, the share of total food sales in 2001, by type of product is as follows:

Type of outlet	Fresh Products 2001 (2000)	Dry Products 2001 (2000)
Hypermarkets	11.4 % (11.5%)	24.8 % (25.9 %)
Supermarkets	30.3 % (29.4 %)	53.6 % (51.9 %)
Traditional	48.8 % (50.2 %)	14.8 % (15.2 %)
Other	9.5 % (8.7 %)	6.8 % (6.9 %)

Consumers prefer to purchase meat, fresh seafood products, fruits and vegetables in traditional outlets, which specialize in either product, although their market share of fresh products has decreased again in 2001. Supermarkets have been steadily increasing their share of fresh products sales.

Hotels, Restaurants and Institutions - HRI

Spain's HRI sector absorbs about 27.2 percent of the total food consumed in Spain, about 15.6 billion Euros. This sector experienced an increase of 4.6 percent in volume and only a one percent increase in value in 2001; a moderate increase is expected for 2002 due to a smaller increase in the number of tourists.

The Spanish HRI sector is very complex and diverse. Food service is divided into commercial (with an estimated 14,184 hotels and hostels, around 45,000 restaurants, over 160,000 cafeterias and bars) and social food service (with about 16,680 institutions, such as company cafeteria/restaurant, schools, universities, hospitals, prisons, the army). There is an average of one outlet per 170 people. Further growth of this sector is expected, as there are more people eating out of their homes and more tourists are visiting Spain, although in 2002 the number of tourist has been lower than expected.

There are several food manufactures and importers that have product lines specially designed for this sector. According to the Spanish Ministry of Agriculture most of the HRI sector's buyers procure their products through distributors, most of the non-perishable products (76%) are purchased through this channel. Small bars and restaurants buy the fresh products from the local market or supermarket for their daily use. Institutions, food chains (usually fast food) and vending machines have more organized purchasing channels, thus being more competitive.

Various companies in the food distribution sector have outlets designed specifically to supply the HRI sector; MAKRO, the largest cash & carry group, has 13 percent of this market, followed by GRUPO UNIGRO, COOP. COVIRAN, H.D. COVALCO, PUNTOCASH, ALIMENTACION PENINSULAR, GRUPO ENACO, and others. Also, some distribution companies for this sector are located in specific areas where the tourist demand is higher, such as MERCATEL and DAVIGEL in the Balearic Islands, and GRUP SEHRS in the Costa Brava (North Eastern coast). Food companies supplying the HRI sector are diverse and must be able to serve small customers with different needs. Beverage distributors are very specialized as most of the alcoholic beverages consumption takes place in bars, cafeterias and restaurants.

Industry Concentration

Just before Spain joined the EU, many multinational companies started buying Spanish food companies as a way to be present in this market. This is still taking place in many sectors, including food distribution. This concentration of industries and distribution groups makes them more powerful and more difficult for the individual exporter to deal with. This is also true in the food distribution for the HRI sector, as several central purchasing companies merged recently into two groups. One of the, GRUNADIS, will supply HRI outlets throughout Spain, while the other, AEDIS, will centralize imports for distribution to its members.

Promotional and Marketing Strategies

New to market products need to be promoted and consumers have to be educated about the use of such products. It is advisable to be in contact with an importer/distributor who can also do the marketing of the product. TV advertising is very expensive in Spain but there are other media that can carry the message. Most supermarket and hypermarket chains have biweekly flyers that are widely distributed in their respective areas of influence. In-store promotions are also a good way to promote a product.

Tourism

One of the most notable features of the Spanish market is the importance of the tourist industry to the national economy. With a resident population of 40.8 million, Spain attracted 75.7 million foreign visitors in 2001, achieving a record as one of the world's leaders in tourism, together with the United States and France. During the first six months of 2002 there was a further increase of three percent in the number of tourists.

The Mediterranean beach areas and the Balearic Islands are the most popular tourist resorts, and the Canary Islands is an especially attractive winter tourist region. Most tourists come from northern Europe, with a very high percentage from Germany, the United Kingdom and France, many of whom still prefer to adhere to their usual dining and drinking habits while enjoying their vacations in Spain.

These demographics have resulted in a significant increase in demand for high-value and consumer-ready products from restaurants and institutions such as hotels during the summer months. On the other hand, the strong seasonal trend in tourism creates a sharp decline in retail grocery sales towards the end of the summer months, until demand again picks up during the Christmas season.

Internet Sales

The main food distribution companies have web pages through which it is possible to shop on-line. It is a sector that is still at its early stage in Spain. About 30 percent of the Spanish population has Internet access. Consumer that buy products through this channel are usually (88.5 percent) pleased with their purchases. Music, books and travel related products represent 62 percent of the purchases. It is estimated that in the next ten years only five percent of total food products sales will be made on-line.

IV Best High-Value Product Prospects

The main consumer food/edible fishery products which offer outstanding U.S. export opportunities are as follows:

- Walnuts
- Almonds
- Peanuts
- Fruit & Vegetables Juices
- Processed Fruits & Vegetables
- Lobster
- Squid
- Whiting
- Surimi
- Sauces
- Pancake and cake mixes
- Ethnic foods
- Snacks

V. Key Contacts for Further Information

American Embassy - Madrid
Agriculture Section (Box 20)
Serrano, 75
28006 Madrid

Phone: 34 91 564 5275
Fax: 34 91 564 9644
e-mail: agmadrid@fas.usda.gov
http://www.embusa.es

Ministerio de Agricultura, Pesca y Alimentación
(Spanish Department of Agriculture)
Paseo de la Infanta Isabel, 1
28014 Madrid

Phone: 34 91 347 5000

http://www.mapya.es

Ministerio de Economía y Hacienda
(Department of Economy)
Paseo de la Castellana, 162
28071 Madrid

Tel: 34 91 583 7400

http://www.mineco.es

Instituto Nacional de Estadistica
(Statistics)
Pº Castellana, 183
28071 Madrid

Tel: 91 583 91 00

e-mail: info@ine.es
http://www.ine.es

Ministerio de Sanidad y Consumo
(Department of Health and Consumption)
Paseo del Prado, 18
28071 Madrid

http://www.msc.es

MERCAMADRID
(Madrid wholesale market)
Ctra. Villaverde-Vallecas, km.3,800
28053 MADRID

Tel: 34 91 785 5013

e-mail: mercamadrid@ibm.net
http://www.mercamadrid.es

Federacion de Industrias de Alimentacion y Bebidas (FIAB)
(Food and beverages industries federation)
Diego de Leon, 44
28006 Madrid

e-mail: fiab@fiab.es
http://www.fiab

Ministerio de Medio Ambiente
(Department of Environment)
Plaza de San Juan de la Cruz, s/n
28003 Madrid

Tel: 34 91 597 6000

http://www.mma.es

Banco de España
(Bank of Spain)
Alcalá, 50
28014 Madrid

http://www.bde.es

Appendix I - Statistics

A. Key Trade & Demographic Information

	Year	Value
Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%)	2001	17.6 / 6.5%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%)	2000	5,201 / 3%
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%)	2001	3,658 / 2%
Total Population (Millions) / Annual Growth Rate (%)	2001	40.8 / 0.9%
Urban Population (Millions) / Annual Growth Rate (%)	2001	29.5 / 0.7%
Number of Major Metropolitan Areas	2001	4
Size of the Middle Class (Millions) / Growth Rate (%)	2001	16 / n/a
Per Capita Gross Domestic Product (U.S. Dollars)	2001	$15,988
Unemployment Rate (%)	2002	12.4%
Per Capita Food Expenditures (U.S. Dollars)	2001	$1,095
Percent of Female Population Employed	2001	40.5%
Exchange Rate (US$1 = 1.01 Euros)	11/02	1.01 Euros

B - Spain Imports

Spain Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
CONSUMER-ORIENTED AGRICULTURAL TOTAL	5,274	5,821	5,201	171	186	170	3%	3%	3%
Snack Foods (Excl. Nuts)	338	354	314	1	1	1	0.19%	0.23%	0.35%
Breakfast Cereals & Pancake Mix	41	49	49	1	1	1	0.21%	0.14%	0.08%
Red Meats, Fresh/Chilled/Frozen	516	581	518	1	1	1	0.09%	0.02%	0.00%
Red Meats, Prepared/Preserved	117	121	99	1	1	1	0.19%	0.20%	0.27%
Poultry Meat	158	132	129	0	1	1	0.00%	0.06%	0.00%
Dairy Products (Excl. Cheese)	637	643	641	1	1	1	0.03%	0.02%	0.02%
Cheese	386	407	372	1	1	1	0.01%	0.00%	0.00%
Eggs & Products	27	20	23	1	1	1	5%	3%	2%
Fresh Fruit	417	557	431	1	4	1	0.14%	0.78%	0.05%
Fresh Vegetables	230	227	168	3	3	3	1.00%	1.00%	2.00%
Processed Fruit & Vegetables	530	628	573	12	12	8	2%	2%	1%
Fruit & Vegetable Juices	108	134	103	2	1	2	1%	1%	2%
Tree Nuts	198	229	214	113	129	118	57%	56%	55%
Wine & Beer	222	265	216	1	1	1	0.36%	0.48%	0.35%
Nursery Products & Cut Flowers	123	144	130	2	2	2	2%	1%	2%
Pet Foods (Dog & Cat Food)	111	114	96	26	12	11	24%	10%	11%
Other Consumer-Oriented Products	1,114	1,219	1,124	9	20	23	1%	2%	2%
FISH & SEAFOOD PRODUCTS	3,516	3,375	3,385	78	69	64	2%	2%	2%
Salmon	98	97	105	3	3	6	3%	3%	6%
Surimi	37	36	40	4	4	6	12%	10%	15%
Crustaceans	957	900	1,039	18	22	24	2%	2%	2%
Groundfish & Flatfish	790	752	733	9	10	4	1%	1%	1%
Molluscs	653	618	599	8	13	11	1%	2%	2%
Other Fishery Products	981	972	870	35	17	13	4%	2%	1%
AGRICULTURAL PRODUCTS TOTAL	11,806	11,918	10,389	1,331	965	845	11%	8%	8%
AGRICULTURAL, FISH & FORESTRY TOTAL	16,871	17,056	15,499	1,644	1,302	1,206	10%	8%	8%

Data: Harmonized Tariff Schedule (HS 6 Digit)
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

C- Spain Top 15 Suppliers

Spain - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS			
($1,000)	1998	1999	2000
France	1176111	1251717	1147578
Netherlands	696,550	739,749	648,768
Germany	561,596	607,540	579,744
Ireland	376,046	430,813	343,241
Italy	348,439	408,168	319,321
Portugal	233,127	222,150	234,134
Belgium	0	261,061	227,448
United Kingdom	259,404	276,956	216,572
Denmark	208,832	221,652	197,172
United States	170,989	186,440	169,846
Brazil	89,923	120,969	128,524
Thailand	88,314	126,720	118,249
Peru	53,461	67,652	81,598
Costa Rica	70,073	78,701	55,452
New Zealand	48,359	57,977	49,482
Other	893,090	762,970	684,028
World	5,274,324	5,821,263	5,201,194

FISH & SEAFOOD PRODUCTS IMPORTS			
	1998	1999	2000
Argentina	289,614	236,805	286,608
Morocco	215,362	216,432	269,401
France	294,843	300,874	268,050
United Kingdom	228,435	226,483	203,343
Namibia	0	0	178,800
Netherlands	149,717	150,729	153,737
Portugal	120,784	137,485	151,382
China	123,407	109,600	132,682
Denmark	137,378	143,645	130,702
Italy	108,160	100,720	96,398
South Africa	0	0	84,764
Chile	88,769	95,005	84,163
Falkland Islands	76,291	65,224	73,556
Iceland	61,081	73,256	71,829
Ecuador	137,691	124,250	67,261
Other	1,484,161	1,394,869	1,132,188
World	3,515,691	3,375,375	3,384,862

NA - Data not available (not reported)   Data: Harmonized Tariff Schedule (HS 6 Digit)
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office